



GALLATIN COUNTY

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County Commission

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Budget Message

September 3, 2008

Residents of Gallatin County:

This document is the Final Operating and Capital Projects Budget for Gallatin County, Montana for the fiscal year ending June 30, 2009 (FY 09). A brief summary of the Final Budget follows.

Overview of Budgeted Resources

The following table depicts beginning balances, estimated revenues, Final approved expenditures, and projected ending balances for the budget year. All funds of the county are included in the following budget. The table reflects estimated revenues of \$71.77 million, budgeted expenditures of \$100.46 million, resulting in a decrease in the ending balances of \$28.70 million. An explanation of the significant changes in fund and cash balances (those greater than 10%) is provided on the following page.

Projected Changes in Fund Balances or Cash Balances Final Budget – July 1, 2008 through June 30, 2009 (FY 09)							
	GOVERNMENTAL FUNDS				PROPEITARY FUNDS	FIDUCIARY FUNDS	TOTAL
	General	Special Revenue	Debt Service	Capital Projects	Enterprise & Internal Funds	Trust & Agency	ALL FUNDS
Beginning Fund Balance (Cash)	\$ 2,884,033	\$ 13,427,730	\$ 1,048,667	\$ 6,269,571	\$ 13,491,245	\$ 3,220,457	\$ 40,341,703
Estimated Revenues	8,247,806	26,150,333	1,744,854	8,438,840	17,957,301	9,222,658	71,761,793
less							
Approved Budget	(10,131,839)	(36,862,299)	(2,713,521)	(14,051,407)	(24,293,102)	(12,410,523)	(100,462,691)
Projected Changes to Fund Balance (Cash)	(1,884,033)	(10,711,966)	(968,667)	(5,612,567)	(6,335,802)	(3,187,864)	(28,700,898)
Estimated Ending Fund Balance (Cash)	\$ 1,000,000	\$ 2,715,764	\$ 80,000	\$ 657,004	\$ 7,155,444	\$ 32,592	\$ 11,640,804

Listed below are explanations for the significant changes in fund balance/cash, for each of the major fund groups.

General Fund

- The General Fund will use \$1,884,033 in working capital to fund \$173,950 in capital outlay, \$374,818 in Misc. expenses including contingency to implement salary survey market based wage adjustments and reclassifications.
- There are a number of one-time expenses within the general fund that account for the balance of working capital utilization. These include election voting machines updating and programming (\$155,000), Debt Service for Re-Entry facility (\$111,000), Treasurer's Motor Vehicle Kiosk,
- Two other factors account for the reduction in fund balance. The county utilizes conservative revenue estimates and thus actual revenues have always exceeded estimated revenues. Additionally, the approved budget represents the maximum spending limits for county departments. Departments routinely under expend their budgets, which serves to increase ending fund balances.

Special Revenue Funds

- Special Revenue Funds of \$10.7 million will be used. Rural Improvement District road improvements are \$3.7 million, Road and Bridge capital/transfer accounts for \$0.65 million, with Road/Bridge/Gas tax used for improvements at \$1.4 million, Road Impact Fee use \$0.4 million, PILT payments for loans etc, \$1.6 million, Public Safety Capital \$0.55 million with an additional \$1.0 in capital designated for the new dispatch center/equipment. Records preservation uses \$0.8 of working capital, Open space accounts for \$0.5 million with the balance of working capital used by all other special revenue funds, especially Grants.

Debt Service Funds

- Debt Service Funds collect tax revenues in the previous Fiscal Year for payment in the next Fiscal Year prior to the next tax collection. This is required to make bond payments pursuant to bond agreements. The actual amount of \$.968 Million is slightly down from FY 06, FY 07 and FY 08.

Capital Project Funds

- Capital Projects will use \$5.6 million for ongoing construction projects. \$3.2 Million will fund capital projects for the Dispatch and Detention Center, completion of the Road and Bridge Shop \$.64 Million, completion of Courthouse Annex \$0.22 Million, with Open Space account for \$1.3 Million and Misc. other projects accounting for the balance of uses.

Enterprise / Internal Service Funds

- The \$6,335,801 decrease to Enterprise Funds/Internal Service Funds will pay for building repairs at the Rest Home, the land purchase, building construction and capping of the cells at the Logan Landfill, if needed and the West Yellowstone Refuse District Compost Facility set aside requirements. Internal Service working capital will be used to fund Health Insurance costs, replacement of copiers and motor pool vehicles per replacement schedules and payment of deductibles if needed from the Liability Fund.

Trust and Agency Funds

- Trust and Agency funds are projected to decrease by \$3.2 million. The decrease comes primarily from fire districts / service areas and special districts budgeting money for replacement or enhancement of their systems. A portion of this money includes using Impact Fees received in prior years.

Planning Processes

Gallatin County conducts various planning processes, both long-term and short-term, to help guide the government and to insure that decisions are made in the context of the organization as a whole and with a long-term perspective. Four of our plans (the Strategic Plan, Growth Policy, 5-year Financial Plan, and Capital Improvement Plan) are discussed below.

Strategic Plan

Strategic planning suggests ways (strategies) to identify and to move toward desired future states. It consists of the process of developing and implementing plans to reach goals and objectives. Within government, strategic planning provides guidance for organizational management similar to that for business, but also provides guidance for the evolution or modification of public policy and laws. Areas of such public policy include: funding of infrastructure and rate-setting and functional plans such as the County's Comprehensive Plan for land use, the Bozeman Transportation Plan, the Belgrade Transportation Plan and the County Transportation Plan and Solid Waste Plan.

The fiscal year 2009 budget continues our Strategic Planning initiatives started in FY 2000. The Strategic Plan is an ongoing dynamic process that gives residents, taxpayers and interested persons a greater understanding of county government. The strategic plan focuses on performance and provides for measurable goals and objectives the County intends to achieve. Department employees will be held accountable for the implementation and success of the plan.

As part of the Strategic Planning Process, the county created a set of strategies to help guide the organization. These range from philosophical strategies (Mission Statement) down to concrete achievable goals for the coming year. Shown on the following page are the results of this planning process.

In the Departmental Budget Section of this document, departments have stated how they plan to meet the Commission's long-term goals. In response to the Commission's short-term goals, departments have developed and are continuing to develop performance measures to identify and track quantitative and qualitative measures of their service delivery performance. Performance budgets emphasize the accomplishment of program objectives. Performance budgeting involves a shift away from inputs (what is going to be purchased), to outcomes (what is going to be accomplished). The change to Performance Budgeting is an ongoing process that continues in FY 09, with incremental changes by departments. The process will be emphasized during FY 09 with special attention to the difference between 'Workload Indicators' and 'Performance Measurements' being explained.

GALLATIN COUNTY Strategic Direction

Mission Statement

Provide cost effective services, visionary leadership and responsive policies for our diverse residents.

Vision Statement

Gallatin County is dedicated to being a premier county local government.

Long-Term and Short Term Goals

The County created a set of short-term and long-term goals. Short-term goals are those that guide the development of the budget for the coming year. Long-term goals are more far-reaching in nature and do not change from year to year. Listed below are the long-term and short-term goals of the County that help guide the development of this budget:

Long-Term Goals (Concerns and Issues):

- Equate community needs with budgetary decisions
- Adhere to the long-term plans
- Demonstrate exceptional Customer Service
- Serve as a Model for Excellence in Government
- Improve Communication within county government, other jurisdictions and our public
- To be an Employer of Choice and Improve Employee Retention

Short-Term Goals (Priorities and Policy Issues for the Budget Year)

- Maintain public health, safety and welfare as a high priority, as required and allowed under state statute and documented public demand, consistent with performance measurements;
- Improve and enhance the efficiency, effectiveness and productivity of every County Function through budget administration and performance management;
- Continue to improve the Criminal Justice System including pursuit of a new Detention Center;
- Improve and maintain County Infrastructure by dedicating additional property tax revenues from new construction to Capital Projects;
- Ensure that needed transportation infrastructure system are maintained and enhanced ;
- Keep budget structurally balanced by maintaining current operation reserve percentages;
- Demonstrate a strong Commitment to Employee Retention through funding of needed wage and / or benefit;
- Improve, management, accountability and oversight to reduce county risk; and,
- Exhibit commitment to implementing Growth Policy.

Gallatin County Growth Policy

The County Planning Department is the Primary department responsible for assisting the Board of County Commissioners in designing and implementing the policies called for in the 2003 Growth Policy. The County adopted the Growth Policy to provide broad instructions on how to best manage growth and development in the County, consistent with state law.

In 2006, the Commission, with the support of the Planning Department, began to craft more specific policies for implementing the Growth Policy. These specific policies include:

- (i) identifying locations in the County that are appropriate and best suited for accepting new growth;
- (ii) creating a purchase or transfer of development rights/credit program;
- (iii) creating provisions for cluster development in the rural areas of the County; and
- (iv) creating an incentive program for directing growth into areas deemed compatible for higher density.

During FY 09, the County Commission, with support from the Planning Department, will continue to investigate the value of the various strategies. As part of this continued investigation, the County Commission held public meetings throughout the summer and into early fall. A final decision regarding the various strategies may occur sometime late fall or winter.

Five-Year Financial Plan

Each year Gallatin County evaluates its current financial condition within the context of existing programs, assesses future financial capacity, and integrates County Commission goals, objectives, and financial policy into its decision-making process. Analysis of the County's financial and economic trends is an integral part of this process.

The Finance Office performs financial trend analysis each year in conjunction with the annual mid-year budget analysis. The Five-Year Financial Plan utilizes budgetary and financial information to create a series of local government indicators to monitor changes in Gallatin County's financial condition. These indicators, when considered as a whole, help interested stakeholders gain a better understanding of the County's overall financial condition. This analysis of key financial trends and other community factors is similar to the approach taken by credit rating agencies to determine Gallatin County's bond rating.

Using this trend analysis and the framework of the financial policies adopted by the County Commission, management is able to strategically plan and budget, provide solutions to negative trends, and ultimately preserve the financial health of Gallatin County. It is a 'report card' of the County's current financial condition and a reference point as staff begins work on the next year's budget.

Most importantly, the financial trend analysis assists the County Commission and the county administration in focusing on the "Big Picture" of the county's financial operations. The Finance Office continues to expand the plan by inclusion of statistical information from the (3) Chamber of Commerce, (4) Planning Office activities, (14) Zoning Districts activities, Yellowstone National Park tourist activities and the local airport boarding / deplaning numbers.

Capital Improvement Program

The county uses two processes for evaluating Capital Improvements. The first is a Facilities Condition Index. The second is the Capital Improvement Program. The county is in the fourth year of a continuing process to assess conditions of county buildings. The County uses a Facility Condition Index prepared by a 5-member professional team that adheres to a detailed conditioning index for each building. Reports show % useable and list maintenance items in order of importance.

On a yearly basis the County prepares a Capital Improvement Program (CIP) Plan. The yearly plan is developed by the CIP Committee, comprised of 7 residents, 1 elected official and 1 department head. The yearly plan includes the current fiscal year's funded projects plus the next 5 years projected projects. The entire plan is incorporated into Section H of the Annual Budget. The CIP is a multi-year capital projects plan that forecasts, but does not obligate, future spending for anticipated capital projects. The proposed six-year CIP uses conservative financial forecasts and reflects only those projects with the highest priority and most realistic expectation for completion during the next six years. This approach avoids raising expectations for projects that are not well defined or that the operating budget will not support.

As in recent years, the County continues to review numerous capital funding requests. At the same time, the county has finite resources to fund the operating costs for many of the proposed capital projects. The proposed six-year CIP attempts to continue, and even expedite, priority projects while ensuring long-term sustainability of each project by including estimated operational savings or cost increases in the plan. The County is working towards a lifecycle cost process.

The Annual Budget Process includes the approved capital projects included in the CIP for the year as well as the anticipated funding sources for the projects. If approved in the Annual Budget Process, the capital items appear in the Annual Operating Budget, which constitute the formal spending authority. The capital items included in the Annual Operating Budget represent the "Capital Budget".

A summary of the significant capital projects included in the FY 09 Final Operating Budget is included in the Appendix of the budget on page H-8. The current year Projects are followed by Projects for the next five years to show the total Capital Plan as recommended by the CIP Committee and adopted by the County Commission.

STAFFING CHANGES

The final budget includes a decrease of (5.70) employees in County Tax Supported Funds. However, increases in non-tax supported funds of 12.45 employees, occurred primarily for Solid Waste and Rest Home. Leading to an overall increase, for FY 09, of 6.75 Full Time Equivalents (FTE). The chart below shows the change in FTE for the budget year for each department. On the next page you will see a chart showing each department's full time equivalent (FTE) for 2004, 2005, 2006, 2007, 2008 and 2009. A detailed listing of employees is located in the Appendix (Section J).

Staffing Changes (FTE)

DEPARTMENT/DIVISION	Net Increase (Decrease)
ADMINISTRATOR	1.00
AUDITOR/CLERK & RECORDER ACCTNG.	0.08
CLERK OF DISTRICT COURT	(0.88)
COURT SERVICES	(0.90)
EXTENSION	(0.50)
FAIR	1.25
GIS	(1.00)
GRANTS	(0.48)
CITY / COUNTY HEALTH	(1.17)
HUMAN RESOURCES	(0.75)
NOXIOUS WEED	(0.40)
PLANNING	0.50
ROAD	(1.00)
SHERIFF (Law & Detention)	(1.75)
TREASURER	0.50
OTHER	-
TOTAL COUNTY TAX SUPPORTED PERSONNEL	(5.70)
HEALTH - CITY/COUNTY - GRANTS	0.30
SOLID WASTE SYSTEM	4.00
REST HOME (if CNA's can be hired	6.20
OTHER CHANGES	1.67
TOTAL NON TAX SUPPORTED PERSONNEL	12.17
TOTAL CHANGES IN PERSONNEL	6.47

The increase for Administrator comes from a decision to not hire a clerical position in Grants and to hire a Procurement Officer to decrease costs for all departments. This decision has proven beneficial by already documented cost reductions in costs for contracts and services. The 5.70 decrease in tax supported positions is through vacancy savings. Other Changes fully fund employees approved for FY 08 for part of the year, but must be funded for all of FY 09. An example of this is Deputy Sheriff hired for a ½ of FY 08 but needing full time funding in FY 09 (100%).

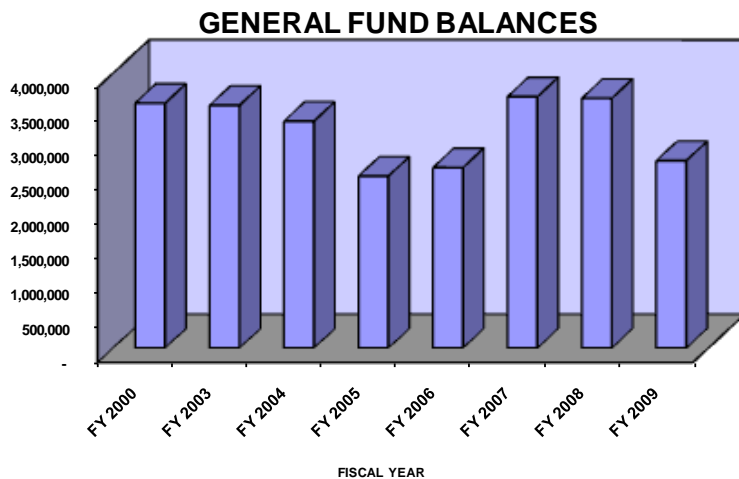
The 4.00 employee increase in Solid Waste staffs the Hazardous Household Waste Program, Recycling Program and Bozeman Convenience Site. The 6.20 increase for Rest Home is only if qualified CNA's apply for the positions. This will allow the county to increase bed utilization and better serve the public.

The following chart shows employees by department for all County employees for 1995, 2000, 2004-2009. These are the number of positions budgeted, which is normally higher than the number actually employed throughout each fiscal year.

Comparison - FY 95 through FY 2009 Employees by Department								
Departments	FY 95 BUDGET	FY 2000 BUDGET	FY 2004 BUDGET	FY 2005 BUDGET	FY 2006 BUDGET	FY 2007 BUDGET	FY 2008 BUDGET	FY 2009 BUDGET
COMMISSION	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
CLERK & RECORDER	14.00	14.45	16.00	16.00	16.00	16.67	17.21	17.25
TREASURER'S	13.00	14.00	17.26	17.21	17.21	17.21	17.46	17.96
AUDITOR	2.00	2.60	3.00	3.00	2.50	2.00	2.46	2.50
I.T.S.	4.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
ATTORNEY	11.00	11.50	13.00	16.38	16.80	17.00	18.00	18.00
VICTIM WITNESS	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.75
JUSTICE COURTS	6.50	7.50	9.50	10.00	10.75	11.00	11.00	11.00
HUMAN RESOURCES	3.00	3.25	5.00	5.00	5.00	5.75	5.75	5.00
FINANCE OFFICE	1.00	1.50	2.00	2.00	2.00	2.00	2.00	2.00
GRANT ADMINISTRATION	-	1.50	2.00	2.00	2.00	2.00	2.38	1.90
G.I.S.	-	2.00	2.75	2.75	3.00	4.00	4.00	3.00
COMPLIANCE OFFICE	-	-	1.00	1.00	0.90	1.09	1.10	1.10
SUPERINTENDENT OF SCHOOLS	2.00	2.00	2.00	2.00	2.25	2.00	2.00	2.00
COURT SERVICES	-	-	-	6.00	8.50	10.31	9.90	9.00
PLANNING	5.00	7.00	9.00	9.00	9.00	10.00	10.00	10.50
COUNTY ADMIN. OFFICE	-	-	1.00	2.00	1.50	1.58	2.00	3.00
MISCELLANEOUS	-	-	0.27	0.27	0.25	0.25	0.25	0.25
SHERIFF	56.90	35.51	46.40	43.49	47.58	51.35	52.25	51.50
CORONER	0.65	0.65	0.65	0.65	0.65	0.65	0.65	-
FIRE MARSHAL	-	-	-	-	-	-	-	-
JOINT DISPATCH	-	22.18	28.58	28.50	28.00	28.00	28.63	29.00
DISASTER PREPAREDNESS	-	-	-	-	-	-	-	-
HAZARDOUS MATERIALS	-	-	-	-	-	-	-	-
DETENTION CENTER	-	20.49	27.40	33.50	36.00	32.92	33.00	32.00
SEARCH & RESCUE	-	-	-	-	-	-	-	-
ROAD MAINTENANCE	26.00	24.61	24.85	24.85	26.60	26.11	26.11	26.11
PUBLIC ASSISTANCE	-	-	-	-	-	-	-	-
BRIDGE	6.00	7.36	7.36	7.36	7.36	7.36	7.36	7.36
NOXIOUS WEED	1.50	2.11	2.00	2.00	2.00	2.50	3.40	3.00
FAIRGROUNDS	4.00	5.00	7.00	8.00	8.00	9.34	9.25	10.50
CLERK OF DISTRICT COURT	9.00	10.00	13.00	13.00	14.17	15.00	15.00	14.12
DISTRICT COURT #1 & #2	6.00	7.00	-	-	-	-	-	-
YOUTH PROBATION	5.00	5.50	-	-	-	-	-	-
PUBLIC DEFENDERS	-	-	5.32	10.00	11.00	-	-	-
PRE TRIAL	-	-	1.00	-	-	-	-	-
CITY/COUNTY HEALTH ADMIN.	-	1.59	1.69	2.00	2.00	3.00	2.00	1.75
ENVIRONMENTAL HEALTH	6.00	9.41	11.31	11.00	11.50	11.06	12.06	11.34
HUMAN SERVICES -HEALTH	4.34	6.45	6.25	7.19	6.69	6.85	7.61	7.41
HEALTH - GRANTS	10.55	9.97	11.56	11.49	12.24	8.21	10.76	11.06
LAW ENFORCEMENT - GRANTS	3.00	4.00	-	4.00	4.00	4.50	4.50	4.50
SENIOR CITIZENS	-	-	-	-	-	-	-	-
EXTENSION AGENTS	3.00	3.50	3.50	3.50	3.75	4.00	4.50	4.00
REST HOME	89.18	108.09	76.21	80.50	90.30	89.80	91.70	97.90
SOLID WASTE SYSTEM	-	-	1.50	8.50	10.50	13.50	16.50	20.50
OTHER	32.00	10.44	19.56	10.77	13.25	17.34	9.40	9.40
TOTAL	329.62	375.16	392.92	418.91	447.25	448.35	454.19	460.66

BUDGETARY TRENDS

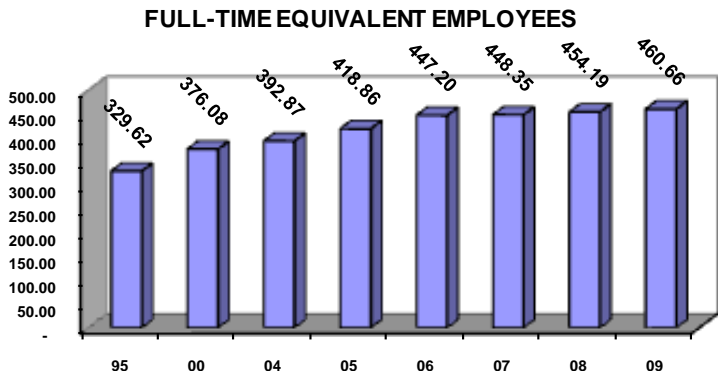
Shown below and in the following pages are a series of key financial indicators and budgetary trends that affect the ability of the county to sustain current service levels while maintaining financial stability. Fund balance measures



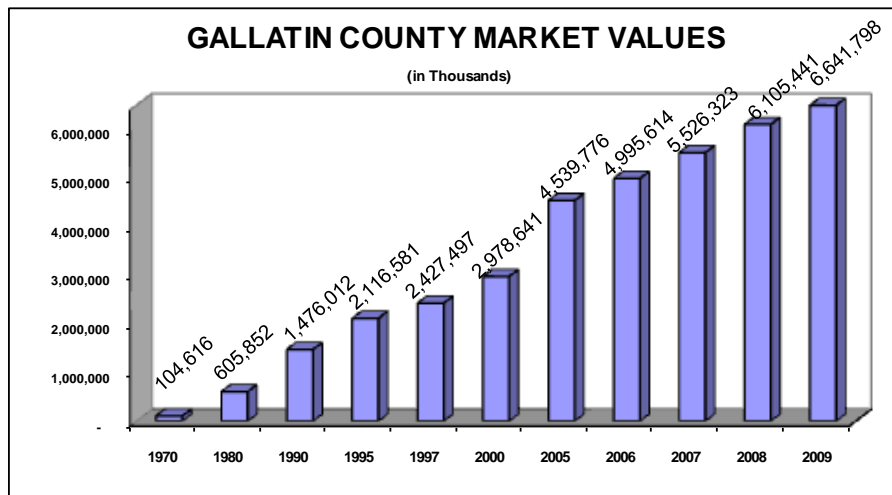
the net financial resources available to pay for expenditures of future periods. Rating agencies examine fund balance when considering the credit quality of the County. The general fund balance represents the best indicator of the county's overall financial health. Shown by the graph on the left is the county's actual general fund balance over the course of the last several years. The reduction in general fund balance from fiscal year 01 to 05 resulted from the separation of a major component of the General Fund into

a separate Special Revenue Fund entitled Public Safety. When the two funds are combined the reduction is significantly reduced. Also, the County used fund balances to pay for the upgrade to the County Courthouse during this time. The county's 2009 budget continues to be structurally balanced and the county will maintain a safe general fund reserve going into fiscal year 2010.

Full-time equivalent employees (FTE) are another key indicator (that should closely mirror the population growth in Gallatin County). As shown by the graph below, total FTE grew from 329.62 in fiscal year 1995 to 460.66 in 2009, for a 39.76% increase over this period. One of the principle challenges continually facing the county is the on-going financial obligation of new employees necessary to meet the service demand that accompanies the rapid growth in the county. All indications are that the growth Gallatin County has experienced in the past will continue for the foreseeable future. (Woods & Poole; University of Montana – Business and Economics Department and State of Montana projections). Additional information can be seen in the Appendix (Section J of this document).



As a general rule, all real and personal property in the State of Montana is subject to taxation by the State and its counties, municipalities and other political subdivisions. This rule is subject to exceptions in the case of specified classes of exempt property. Property is classified according to its use and character, and the different classes of property are taxed at different percentages of their market valuation.

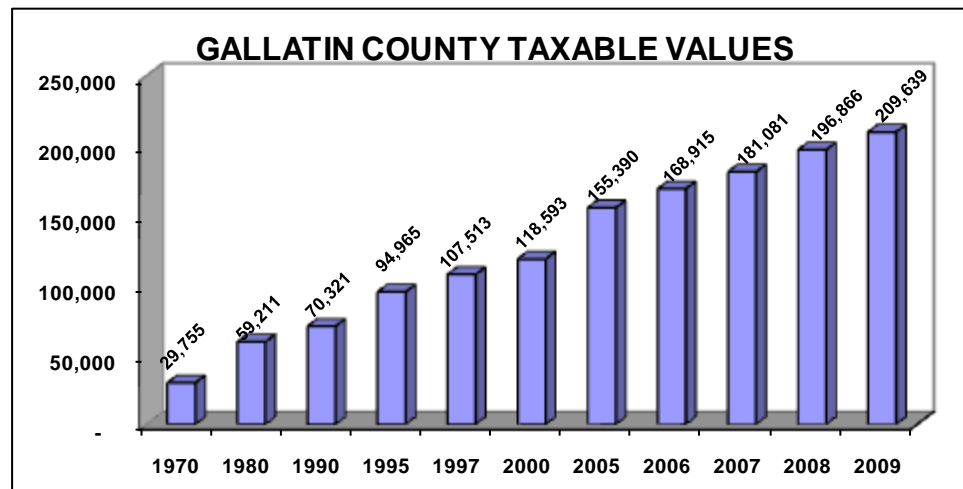


Property valuations are based on comprehensive appraisals of all taxable property performed by the Department of Revenue on a 6-year re-appraisal cycle. The Department of Revenue certifies market and taxable values to each county on or before the 1st Monday in August. Gallatin County's market value trend is shown by the graph to the left. As reflected in the graph, the

county's market value has increased from \$2.427 billion in fiscal year 1997 to \$6.641 billion in fiscal year 2009, for a 273% increase in 12 years. The market value in the county reflects the rapid growth the county is experiencing.

The following graph of taxable values reflects the county's ability to raise general tax revenue necessary to support the growing demand for government services. The taxable value for property is determined by applying a

statutorily established percentage ratio to the market value of the property, according to its property classification. The applicable ratio for most commercial and residential real properties is currently 3.14%. Shown on the right is a history of the county's actual taxable value since 1970. The increase in



taxable values does not coincide with the increase in market values shown earlier. The county's taxable value (per mill) has increased from \$107,513 billion in 1997 to \$209,639 in 2009, for a 195% increase in 12 years. The difference in increases between Market and Taxable values comes from adjustments to the percentage ratio and changes in tax policy approved by the State Legislature. Taxable values (as opposed to market values) more accurately reflect the ability of the county to generate tax revenues.

MILL LEVY DECISIONS

The County Commission approved the Final Budget based on their stated goal to maintain taxes at the same dollar amount for individual taxpayers as paid in the previous year, except for voter approved mill levies. For the most part the Commission was able to meet this goal. The exceptions include an increase in Rural Taxes by .79 mills (\$92,451) and Search and Rescue .33 mills (\$69,181) approved by voters in 1986.

The Commission could have levied the following additional taxes:

<u>Fiscal Year</u>	<u>Description</u>	<u>Mills</u>	<u>Taxes</u>
FY 07	Operating & Infl. Levies	1.74	377,528
FY 08	Inflationary Levy	1.01	212,389
FY 09	Inflationary Levy	1.21	253,939
FY 09	Rural Inflationary Levy	-0-	<u>135</u>
TOTAL TAXES NOT LEVIED			843,990

The Final Operating Budget continues the Commission's desire to not increase taxes unless necessary. Unfortunately the Commission found, through a review of Employee Health Insurance Premiums, that a minimum 5% increase was required. However, the Commission offset this increase by reducing the mills to be levied for operations. In addition, the Commission authorized an increase in Search and Rescue millage as authorized by a 1986 vote. The levy for Search and Rescue is .86 mills for FY 09.

The only increase in taxes a general taxpayer will see for Gallatin County comes from the voter approved Search and Rescue and the Road Millage for Rural taxpayers. The following table shows tax dollars the county will be levying compared to the amount the commission could levy:

<u>Type of Activity</u>	<u>Amount Allowed</u>	<u>Amount Charged</u>	<u>Difference</u>
County - Wide Levies	16,252,066	15,408,210	843,856
Road/Library Levies	2,980,706	2,980,571	135
Permissive Medical Levy	1,202,759	1,202,759	-0-
Bond Levies	<u>1,048,717</u>	<u>1,048,717</u>	<u>-0-</u>
TOTAL	<u>21,484,249</u>	<u>20,640,258</u>	<u>843,990</u>

The Commission DID NOT levy 4.03 mills (\$843,856) for County-Wide Funds, which include the General, Bridge, Noxious Weed, Fair, Airport at Three Forks, Public Safety, Extension, Mental Health, City/County Health, Senior Citizens, Search & Rescue, Rest Home and Capital Projects Funds. The Commission levied the full amount available for support of Road activities (taxpayers outside cities and towns). As stated earlier the Commission did levy the maximum allowed mills for the Permissive Medical Levy. The County – Wide levies that were not levied can be imposed in future years, if the County Commission determines an increase is in the best interest of the County.

The Commission does not have discretion on levies associated with 'Bond Levies'. These taxes support repayment of the Rest Home and Open Space Bonds approved by the voters. The County is required to levy taxes equal to the Principal and Interest due during the year.

The net effect of the Commission not levying these taxes means a taxpayer inside a city or town with a house appraised, for taxes, at \$100,000 or \$200,000 will save about \$12.63 and \$24.26 respectively.

ECONOMIC FACTORS

The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana's School of Business Administration. The Bureau is regularly involved in a wide variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's forecasts contained in the spring 2005 issue of the Montana Business Quarterly relating to Gallatin County are restated below.

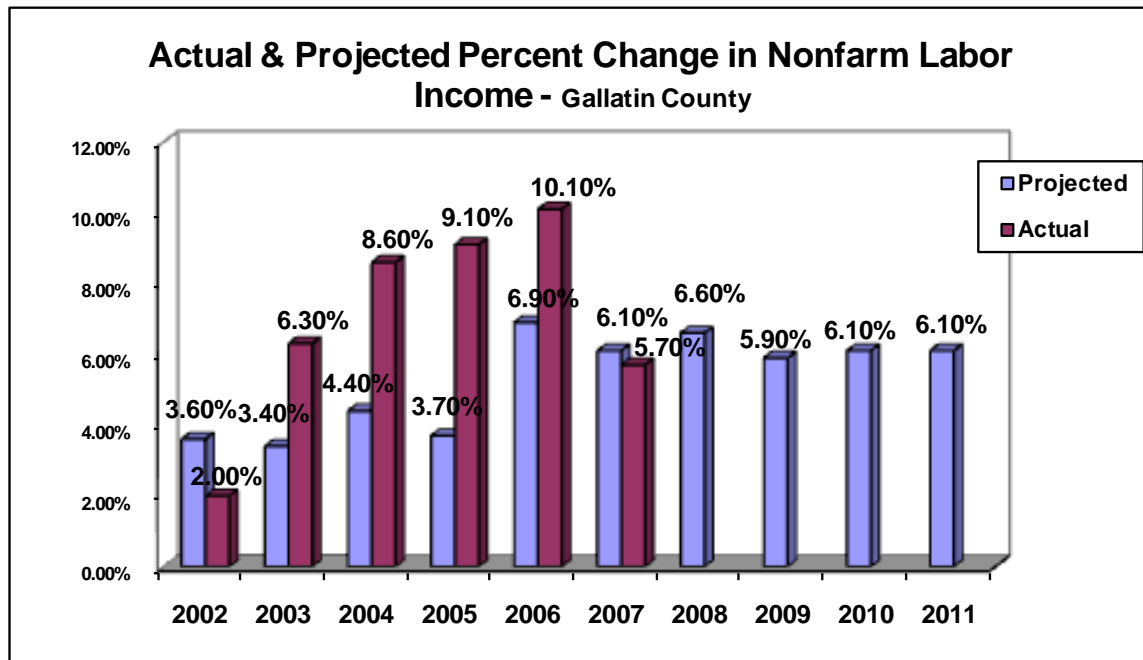
Gallatin County was one of the fastest growing counties in Montana during the last 30 years. Even during the disastrous 1980s, there were no periods of decline (although they came close in 1980 and again in 1986). Bozeman is now a second-order regional trade center; the export components of retail trade and services (including health care and business services) account for almost one-quarter of the economic base.

Population, Montana and BEA Regions, 1990-2010

	Thousands of Persons				Average Annual		
	----- Actual -----		Projected		----- Percent Change -----		
	<u>1990</u>	<u>2000</u>	<u>2004</u>	<u>2010</u>	<u>1990-2000</u>	<u>2000-2004</u>	<u>2004-2010</u>
Montana	800	902	929	968	1.2%	0.7%	0.7%
West	335	400	414	444	1.8%	0.9%	1.2%
Missoula	79	95	99	105	1.9%	1.0%	1.0%
Flathead	60	75	81	90	2.3%	1.9%	1.8%
Silver Bow	34	35	33	35	3.0%	-1.5%	1.0%
Lewis & Clark	48	56	58	61	1.5%	0.9%	0.8%
Ravalli	25	36	39	43	3.7%	2.0%	1.6%
Rest of West	89	103	104	110	1.5%	0.2%	0.9%
North-Central	181	183	182	184	0.1%	-0.1%	2.0%
Cascade	78	80	80	81	0.3%	0.0%	0.2%
Hill	18	17	16	17	-0.6%	-1.5%	1.0%
Fergus	12	12	12	12	0.0%	0.0%	0.0%
Rest of North Central	73	74	74	74	0.1%	0.0%	0.0%
Southeast	284	319	333	340	1.2%	1.0%	3.0%
Yellowstone	114	128	135	145	1.2%	1.3%	1.2%
Gallatin	51	68	76	85	2.9%	2.8%	1.9%
Richland	11	10	9	10	-0.9%	-2.6%	1.8%
Custer	12	12	11	12	0.0%	-2.1%	1.5%
Rest of Southeast	96	101	102	88	0.5%	0.2%	-2.4%

Source: Bureau of the Census, U.S. Department of Commerce; Bureau of Business and Economic Research, The University of Montana - Missoula.

The University of Montana Bureau of Business and Economic Research (U of M or BBER) labor income projections have consistently understated the actual growth in Gallatin County. BBER projects a decline in FY 05 through FY 09 from the FY 04 levels. Global Insight (the State of Montana's contracted firm) projected acceleration of growth in the County through 2005 and continued growth in the 3.5 to 4.4 percent per year range to 2009. The Bureau projects that Gallatin County will lead Montana in population growth over the next several years.



Closing

We hope the information contained in the FY 09 Final Budget is of benefit to all interested parties. We want to encourage you to look at the end of the Budget Highlights section to see what has changed in this budget from last year.

In closing we want to inform the public that our dramatic changes in the budget process implemented in FY 07 are reflected in the FY 09 document. We will be actively pursuing a Performance Based Management / Budget process for FY 09. We strongly encourage each and every person using county services to inform us of their ideas, level of satisfaction and problems.

Respectfully,
Gallatin County Commission

William A. Murdock, Chairman

Joe P. Skinner, Member

R. Stephen White, Member

Simplified Organizational Chart – Gallatin County Government

